Methodology for Round 2 Allocations of CDBG-CV CARES Act Funds

This document describes the methodology for allocating the second round of CDBG CARES Act funding (CDBG-CV). The CARES Act requires HUD to allocate the second round of $1 billion to state and insular area governments by May 11, 2020. The allocation targets public health, coronavirus, and housing and economic disruption needs.

Background

Congress provided $5 billion in the CARES Act for the Community Development Block Grant (CDBG) program, specifically noting three different allocation methods:

(1) Allocation Round 1. HUD allocated the first $2 billion based on the same formula used for the regular FY 2020 CDBG formula allocation. HUD announced allocations on April 2, 2020.
(2) Allocation Round 2. This document describes the $1 billion that must be allocated directly to states and insular areas on or before May 11.
(3) Allocation Round 3. $2 billion is available for allocation on a rolling basis based on criteria to be determined by the Secretary, prioritizing risk of transmission, coronavirus cases compared to the national average, and economic and housing market disruptions. The CARES Act does not establish a deadline to allocate funds, but HUD must obligate all funds by September 30, 2022. HUD will describe the third round of allocations in a later allocation announcement.

For Allocation Round 2, the $1 billion for states and insular areas, the law says:

> Provided further, That, in addition to amounts allocated pursuant to the preceding proviso, an additional $1,000,000,000 shall be allocated directly to States and insular areas, as defined by 42 U.S.C. 5302(a), to prevent, prepare for, and respond to coronavirus within the State or insular area, including activities within entitlement and nonentitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors, as determined by the Secretary, using best available data and that such allocations shall be made within 45 days of enactment of this Act:

The law is clear that the second round of allocations are to be "based on":
- public health needs
- risk of transmission of coronavirus
- number of coronavirus cases compared to the national average
- economic and housing market disruptions
- other factors, as determined by the Secretary

As such, the formula uses factors related to each of these.

Targeted Allocation of $1 billion

- Public health needs:

  - **Count of low-income elderly.** The activity delivery costs to assist low-income elderly to maintain social distance while still having access to food, health care, and virtual social interaction is a public health need. HUD placed the greatest weight on this factor because it also reflects the highest risk group for hospitalization due to coronavirus. In a research study from the CDC from April 17, 2020, "among 1,482 patients hospitalized with coronavirus, 74.5% were aged ≥ 50 years" with the per capita rate of admission rising quickly for the older age cohorts. https://www.cdc.gov/mmwr/volumes/69/wr/mm6915e3.htm (50 percent weight)

  - **Count of children in poverty.** The increased activity delivery cost to get food to poor children who otherwise do not have access to adequate nutrition is a public health need. (10 percent weight)

- Economic and Housing Market Disruptions

  - **Aggregate count of unemployment insurance (UI) claims over the past 6 weeks (through April 25, 2020) less the aggregate count of UI claims during the same time period last year.** One clear measure of the economic and housing market disruptions is the millions of unemployment insurance claims over the last six weeks above prior-year claims. Places with high unemployment claims are also likely the places where businesses may struggle more, renters may have more difficulty paying rent, and homeowners may have more difficulty paying their mortgage. (40 percent weight)

- Risk of transmission of coronavirus and number of coronavirus cases compared to the national average.

  - **Adjust the counts discussed above using the per capita rate of confirmed coronavirus cases as of May 3, 2020.** The law is very clear that we must use some measure to provide more funds to states with higher rates of coronavirus cases. Because these data are changing daily, the allocation uses the per capita rate of confirmed coronavirus cases from HHS as of May 3, 2020 and adjusts the counts of the factors noted above by up to 15 percent more for places with rates of coronavirus cases above the weighted national average on each of the above variables.

Most of these data are not available for insular areas (Virgin Islands, American Samoa, Guam, Northern Marianas), so insular areas receive 0.2 percent of the funding and get the same proportional shares as they received under the CDBG-CV Round 1 allocation. Because the state of Hawaii does not run a state CDBG program, HUD has subdivided the Hawaii-calculated grant to each of the four counties of Hawaii using their proportional shares of the CDBG-CV Round 1

allocation (within Hawaii).

The chart below shows how well this formula's per capita allocation correlates with per capita rates of each of the variables. While the individual variables generally do not correlate well with one another, when incorporated within the formula there is strong targeting to low-income elderly, COVID-19, and states with higher unemployment claim rates per capita. While children in poverty are part of the calculation, the formula does not target as much toward that need.

	Per Capita Allocation	Rate of Low-Income Elderly per 100 people	Rate of 6-weeks UI claims per 100 people	Rate of children in poverty per 100 people	Rate of COVID Cases per 100,000 People
Per Capita Allocation	1	.543**	.788**	0.100	.450**
Rate of Low-Income Elderly per 100 people	.543**	1	0.080	0.072	0.127
Rate of 6-weeks UI claims per 100 people	.788**	0.080	1	-0.133	0.186
Rate of children in poverty per 100 people	0.100	0.072	-0.133	1	-0.165
Rate of COVID Cases per 100,000 People	.450**	0.127	0.186	-0.165	1

**. Correlation is significant at the 0.01 level (2-tailed).

Attachment

Attachment – Round 2 Allocation of CDBG-CV CARES Act funding

State FIPS Code	Grantee Name	CDBG CV2 Allocation
01	Alabama	$15,031,820
02	Alaska	$1,794,197
04	Arizona	$18,095,491
05	Arkansas	$8,190,367
06	California	$112,989,161
08	Colorado	$12,765,120
09	Connecticut	$11,439,547
10	Delaware	$3,228,336
11	District of Columbia	$2,417,177
12	Florida	$63,017,132
13	Georgia	$35,413,524
15	Hawaii County	$975,815
15	Kauai County	$261,137
15	Maui County	$698,280
15	Honolulu	$3,081,677
16	Idaho	$4,350,467
17	Illinois	$39,275,475
18	Indiana	$19,735,231
19	Iowa	$9,506,040
20	Kansas	$7,851,905
21	Kentucky	$16,942,485
22	Louisiana	$18,357,258
23	Maine	$4,339,566
24	Maryland	$16,105,784
25	Massachusetts	$26,083,361
26	Michigan	$41,885,728
27	Minnesota	$17,421,820
28	Mississippi	$8,653,969
29	Missouri	$17,913,300
30	Montana	$3,325,357
31	Nebraska	$4,770,755
32	Nevada	$9,939,507
33	New Hampshire	$4,679,946
34	New Jersey	$31,511,487
35	New Mexico	$5,514,911
36	New York	$70,522,417
37	North Carolina	$28,294,981
38	North Dakota	$2,113,524

State FIPS Code	Grantee Name	CDBG CV2 Allocation
39	Ohio	$37,436,106
40	Oklahoma	$10,830,136
41	Oregon	$10,722,989
42	Pennsylvania	$51,227,822
44	Rhode Island	$4,682,119
45	South Carolina	$14,823,500
46	South Dakota	$2,078,303
47	Tennessee	$18,064,629
48	Texas	$63,392,290
49	Utah	$5,267,278
50	Vermont	$2,026,679
51	Virginia	$20,197,778
53	Washington	$23,041,347
54	West Virginia	$5,750,278
55	Wisconsin	$16,938,176
56	Wyoming	$1,440,829
60	American Samoa	$266,229
66	Guam	$892,901
69	Northern Marianas	$274,635
72	Puerto Rico	$11,585,685
78	Virgin Islands	$566,236
	TOTAL	**$1,000,000,000**